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## The Un-Worth-y Decision: The Characterization of a Copyright as Community Property

Debora Polacheck

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# The “Un-Worth-y” Decision: The Characterization of a Copyright as Community Property

by  
DEBORA POLACHECK\*

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## Introduction

*In re Marriage of Worth*<sup>1</sup> is the only reported case that has considered the effect of California's community property law on an author's rights under the Copyright Act of 1976.<sup>2</sup> In *Worth*, the California Court of Appeal characterized a copyright as a community property asset.<sup>3</sup> The decision is significant because of the extensive volume of copyrightable subject matter that is created and exploited in what is considered the capital of the entertainment industry, California, a community property state.<sup>4</sup>

Characterizing a copyright as community property not only will affect spouses upon dissolution of a marriage but also will thwart the efforts of an author to freely exploit his or her work.<sup>5</sup> In addition, licensees, entertainment attorneys, and others will feel the effects of the characterization in the business practices involved in contract and copyright administration.

Part I of this Article compares community property law and federal copyright law. Part II discusses the facts and holding of *Worth*. Part III analyzes the *Worth* decision. Part IV proposes a solution that applies both state community property law and federal copyright law upon dissolution of marriage.

## I

### Differences Between Community Property Law and Copyright Law

The *Worth* decision, by classifying a copyright as a community property asset, implies that copyright law and community property law can coexist without incident.<sup>6</sup> In reality, there are significant dif-

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1. *In re Marriage of Worth*, 241 Cal. Rptr. 135 (Ct. App. 1987).

2. 17 U.S.C. §§ 101-810 (1988 & Supp. V 1993) [hereinafter *Copyright Act*].

3. *Worth*, 241 Cal. Rptr. at 140.

4. "California is the community property state from which emanates the largest volume of literary, artistic, cinematographic, computer, and other copyrightable works, [and therefore] it is appropriate to focus on the community property law of California." David Nimmer, *Copyright Ownership by the Marital Community: Evaluating Worth*, 36 UCLA L. REV. 383, 388-89 (1988) (footnotes omitted).

5. One commentator has argued that "[t]he immediate effect of the *Worth* decision is that in California, husbands and wives are the co-owners of copyrights in works created during marriage, commencing with creation of such works." Michael J. Perlstein, *Copyright as Community Property: Questions About Worth Are More than Merely Trivial*, ENT. L. REP., Apr. 1988, at 3, 5.

6. Carla M. Roberts, Note, *Worthy of Rejection: Copyright as Community Property*, 100 YALE L.J. 1053 (1991).

The *Worth* decision purports to find no inconsistency in its application of federal copyright law and California community property law. Instead, *Worth* provides a

ferences between the two bodies of law, particularly in their grants of rights to the author of a copyrightable work, that cast doubt on the court's conclusion.

### A. Ownership

The Copyright Act states that initial ownership of a copyright vests in the author of the work.<sup>7</sup> Community property law, on the other hand, assumes that all property acquired during marriage by either spouse is the property of both spouses.<sup>8</sup> This general presumption undermines federal copyright law by characterizing a copyright acquired during marriage as community property rather than the sole property of the author spouse. This characterization under community property law effectively makes author and non-author spouses co-owners of the property right.

### B. Co-Ownership Under Community Property Law Versus Joint Ownership Under Federal Copyright Law

There are several critical distinctions between co-ownership under community property law and joint ownership under the federal Copyright Act. Under the Copyright Act, a single joint owner is precluded from assigning or exclusively licensing the work without the written consent of the other joint owners.<sup>9</sup> Although a joint owner cannot convey an exclusive license in the work, he may, without obtaining the consent of the other joint owners, either exploit the work personally or grant a nonexclusive license to a third party.<sup>10</sup>

Joint owners of a work may agree that no one of them shall have the right to license the work without the consent of the others, and the agreement will be enforced against any third-party licensee taking with notice of the restriction.<sup>11</sup> A joint owner who profits from personally using or licensing a work has a duty to account to the other

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messy union of two bodies of law with distinct historical justifications and objectives. This union hinders the goals of copyright law without substantially enhancing the goals of community property law.

*Id.* at 1056.

7. 17 U.S.C. § 201(a) (1988).

8. CAL. FAM. CODE § 760 (Deering 1994) (revising former CAL. CIV. CODE § 5110). The definition of community property used in the *Worth* case, as well as in this Article, remains unchanged by § 760.

9. MARSHALL A. LEAFFER, UNDERSTANDING COPYRIGHT LAW 141 (1989).

10. *Id.* See also 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 6.10, at 6-28 (1994).

11. 1 HOWARD B. ABRAMS, THE LAW OF COPYRIGHT § 4.04, at 4-40 (1993).

joint owners for their proportionate share of the profits.<sup>12</sup> If one joint owner dies, courts "treat the copyright as a tenancy in common, in which the heirs or legatees accede to all the joint author's rights in the corpus."<sup>13</sup>

Under California community property law, a copyright is considered intangible personal property owned by the author and the non-author spouse.<sup>14</sup> California Family Code section 1100 grants both spouses authority to manage and control community personal property.<sup>15</sup> Section 1100, then, would allow a non-author spouse to dis-

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12. H.R. REP. NO. 1476, 94th Cong., 2d Sess. 121 (1976). Co-owners of a copyright would be treated generally as tenants in common, with each co-owner having an independent right to use or license the use of a work, subject to a duty of accounting to the other co-owners for any profits. NIMMER & NIMMER, *supra* note 10, § 6.12, at 6-34.

13. Nimmer, *supra* note 4, at 394. Tenancy in common should be contrasted with the doctrine of joint tenancy, under which death of a joint tenant results in passage of ownership to the surviving joint tenant, not to the heirs of the deceased joint tenant. NIMMER & NIMMER, *supra* note 10, § 6.09, at 6-27.

14. CAL. FAM. CODE § 760 (Deering 1994).

15. CAL. FAM. CODE § 1100 (revising CAL. CIV. CODE § 5125). That section states:

(a) [E]ither spouse has the management and control of the community personal property, whether acquired prior to or on or after January 1, 1975, with like absolute power of disposition, other than testamentary, as the spouse has of the separate estate of the spouse.

(b) A spouse may not make a gift of community personal property, or dispose of community personal property for less than fair and reasonable value, without the written consent of the other spouse. This subdivision does not apply to gifts mutually given by both spouses to third parties and to gifts given by one spouse to the other spouse . . . .

(d) Except as provided in subdivisions (b) and (c), and in Section 1102, a spouse who is operating or managing a business or an interest in a business that is all or substantially all community personal property has the primary management and control of the business or interest. Primary management and control means that the managing spouse may act alone in all transactions but shall give prior written notice to the other spouse of any sale, lease, exchange, encumbrance, or other disposition of all or substantially all of the personal property used in the operation of the business . . . whether or not title to that property is held in the name of only one spouse. Written notice is not, however, required when prohibited by the law otherwise applicable to the transaction.

Remedies for the failure by a managing spouse to give prior written notice as required by this subdivision are only as specified in Section 1101. A failure to give prior written notice shall not adversely affect the validity of a transaction nor of any interest transferred.

(e) Each spouse shall act with respect to the other spouse in the management and control of the community assets and liabilities in accordance with the general rules governing fiduciary relationships which control the actions of persons having relationships of personal confidence as specified in Section 721, until such time as the assets and liabilities have been divided by the parties or by a court. This duty includes the obligation to make full disclosure to the other spouse of all material facts and information regarding the existence, characterization, and valuation of all assets in which the community has or may have an interest and debts for which the community is or may be liable, and to provide equal

pose of the five exclusive rights granted to the owner of a copyright by federal copyright law.<sup>16</sup> A spouse may not, however, dispose of a copyright<sup>17</sup> for less than fair and reasonable value without written consent of the other spouse.<sup>18</sup> Section 1100 is a broad grant of right that gives the non-author spouse substantially more power and control over the property than is afforded to a joint owner by the federal Copyright Act.<sup>19</sup>

Despite the differences between federal copyright law and California community property law, an exception to the equal management rule<sup>20</sup> might produce a situation in which the two are actually more in accord. Section 1100(d) provides that "a spouse who is operating or managing a business or an interest in a business that is all or substantially all community personal property has the primary management and control of the business or interests."<sup>21</sup> If an author were found to have primary management and control of an interest, which in this context would be the exploitation of a copyright, that spouse would be given the power to act alone in all transactions, but would be required to give prior written notice and provide an accounting to the non-author spouse.<sup>22</sup> Under section 1100(d), the author, while not having exclusive ownership rights under community property law, would still retain the exclusive rights provided for in § 106 of the Copyright Act.<sup>23</sup> This resolution, of course, would require an initial finding that the author spouse has primary management and control of the interest.<sup>24</sup>

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access to all information, records, and books that pertain to the value and character of those assets and debts, upon request.

*Id.*

16. *Id.* § 1100(d). For an enumeration of these rights, see 17 U.S.C. § 106 (1988 & Supp. V 1993).

17. Either spouse can exploit the copyright and its entire bundle of rights. See NIMMER & NIMMER, *supra* note 10, § 6.13[A][1], at 6-40.2.

18. CAL. FAM. CODE § 1100(b).

19. The grant of a nonexclusive license by a co-owner can have a significant negative impact on the economic return of a particular work. As one commentator notes, "[m]ovie producers generally do not want to invest millions in making a movie if they face competition from another nonexclusive licensee of the movie rights to a given novel." Roberts, *supra* note 6, at 1058.

20. CAL. FAM. CODE § 1100(d).

21. *Id.*

22. *Id.* § 1100(d), (e).

23. One commentator suggests that "[i]n order to avoid chaos in the entertainment industry, the author-spouse . . . must be considered the spouse who has the 'primary management and control of the business on interest.'" Perlstein, *supra* note 5, at 6.

24. Applying § 1100 to the copyright context,

it would appear to mean that a professional author has the right to sell or license the copyright in his or her works, and that his or her spouse may not. But this conclusion involves a determination of whether an author is a professional, i.e.,

Even with this partial harmonization, California community property law and federal copyright law still conflict. Ultimately, it appears that either federal preemption must be invoked, or courts must develop a common law scheme to effect the goals of both community property law and federal copyright law while preserving the protections of both.

## II

### The *Worth* Decision

#### A. Facts

The *Worth* case involved two trivia books written and published by Frederick Worth during his marriage to Susan Worth.<sup>25</sup> Their 1982 dissolution agreement stated that all royalties from the two books would be divided equally between the spouses.<sup>26</sup>

In 1984 Frederick Worth filed a copyright infringement action in federal court against the producers of the Trivial Pursuit board game, alleging that some of the questions in the game were plagiarized from

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whether he or she may be said to be 'operating or managing a business' which consists of the copyrights in his or her works. For an author whose livelihood is only partially derived from the marketing of creative works, this will present some difficult gray areas.

NIMMER & NIMMER, *supra* note 10, § 6.13[B], at 6-44.

25. *In re Marriage of Worth*, 241 Cal. Rptr. 135 (Ct. App. 1987). The first of Frederick Worth's books was published in 1977, the second in 1981. *Id.* Because the Copyright Act became effective on January 1, 1978, the second book was automatically given federal copyright protection upon creation. Copyright in the second book would have been acquired in 1981, or possibly before, if a written manuscript existed or if the expression were fixed in some other medium. The 1977 book, on the other hand, would not have had automatic protection under the 1909 Copyright Act. However, Section 303 of the Copyright Act states that a "[c]opyright in a work created before January 1, 1978, but not theretofore . . . copyrighted, subsists from January 1, 1978, and endures for the term provided by section 302 [life of the author plus fifty years]." 17 U.S.C. §§ 302, 303 (1988). This means that if Frederick Worth did not have a federal copyright in the 1977 book, upon January 1, 1978, he was automatically vested with federal copyright protection. If he did have a copyright in 1977, then the copyright was acquired during the marriage. In that case, copyrights for both books would have been acquired during the marriage. The *Worth* court characterized the copyrights as community property without stating when the copyrights were acquired by Worth. In fact, the copyrights would have been either community property or separate property, depending on the date of acquisition by Worth. Because Frederick and Susan Worth's divorce decree is dated 1982, it is possible that the parties were living separate and apart (within the meaning of Family Code § 771) at the time of acquisition of the copyrights, particularly the copyright for the 1981 book. Section 771 states that "[t]he earnings and accumulations of a spouse . . . while living separate and apart from the other spouse, are the separate property of the spouse." If so, the 1981 copyright would be Frederick Worth's separate property.

26. *In re Marriage of Worth*, 241 Cal. Rptr. 135, 137 (Ct. App. 1987).



his trivia books.<sup>27</sup> Susan Worth then sought an order declaring that she would be entitled to one-half of any proceeds from the infringement suit.<sup>28</sup> The trial court granted Susan Worth's motion and Frederick Worth appealed.<sup>29</sup> The question before the court of appeal was whether the marital community had an interest in the copyrights.<sup>30</sup>

## B. The Court's Conclusion

The *Worth* court held that the marital community had an interest in the copyrights, based on its finding that the copyrights granted to Frederick Worth were divisible community property.<sup>31</sup> Because the assets were not disposed of upon dissolution, Frederick Worth and Susan Worth remained co-owners of an undivided interest in the copyrights,<sup>32</sup> and both were entitled to share equally in any proceeds flowing from the federal lawsuit for copyright infringement.<sup>33</sup> The *Worth* court also found no conflict between the federal Copyright Act and California community property law that would lead the court to invoke the preemption doctrine.<sup>34</sup>

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27. *Id.* at 135. The trivia books can be considered literary works. Literary works are "works, other than audiovisual works, expressed in words, numbers, or other verbal or numerical symbols or indicia, regardless of the nature of the material objects, such as books, periodicals, manuscripts, phonorecords, film, tapes, disks, or cards, in which they are embodied." 17 U.S.C. § 101 (1988 & Supp. V 1993). Literary works are a subject matter of copyright and are given copyright protection upon being fixed in a tangible medium of expression. *Id.* § 102.

28. *Worth*, 241 Cal. Rptr. at 135.

29. *Id.*

30. *Id.* at 136.

31. *Id.* at 138. Carla Roberts distinguishes between two elements of copyright ownership: (1) the right to income from a copyright and (2) the right to control the disposition of the copyright. Roberts, *supra* note 6, at 1053 n.3. According to Roberts, "*Worth* established for the first time a community property interest in the control element," but she argues "that it is appropriate to treat the right to income element as community property, but that it is inappropriate . . . to treat the control element as community property." *Id.*

32. *Worth*, 241 Cal. Rptr. at 140.

33. *Id.* During the pendency of this appeal, the federal district court ruled that Frederick Worth had no claim of copyright infringement. *Worth v. Selchow & Righter Co.*, 827 F.2d 569, 574 (9th Cir. 1987).

34. *Worth*, 241 Cal. Rptr. at 140.

### III

## Analysis of the *Worth* Decision

### A. The Court's Discussion of Copyright Law

In a brief discussion of pertinent copyright law,<sup>35</sup> the court recognized that Congress is empowered to extend federal copyright protection to authors and that Congress has exercised this power through enactment of the Copyright Act.<sup>36</sup> The court also recognized that § 106 of the Copyright Act grants to the owner of a copyright certain exclusive rights.<sup>37</sup> In a suit for copyright infringement, the copyright owner is entitled to injunctive relief,<sup>38</sup> impoundment of infringing material,<sup>39</sup> actual damages,<sup>40</sup> and profits.<sup>41</sup> The court noted that although federal copyright protection is extended automatically upon creation of a copyrightable work,<sup>42</sup> registration and affixed notice are required to bring an infringement suit.<sup>43</sup>

### B. The Court's Discussion of Copyright as Community Property

#### 1. *Classification of the Books as Community Property*

The *Worth* court found that "any artistic work created during marriage"<sup>44</sup> is community property under California community prop-

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35. The court undertook a "brief odyssey into the somewhat arcane domain of copyright law." *Id.* at 136. It is not surprising that the court, after acknowledging copyright law to be arcane, and then merely attempting to skim the surface of the subject, did not fully appreciate or uphold an author's rights under copyright law.

36. *Id.*

37. *Id.* Section 106 states:

[T]he owner of copyright . . . has the exclusive rights to do and to authorize any of the following: (1) to reproduce the copyrighted work in copies or phonorecords; (2) to prepare derivative works based upon the copyrighted work; (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending; (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly; and (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly.

17 U.S.C. § 106 (1988 & Supp. V 1993).

38. *Worth*, 241 Cal. Rptr. at 136. See 17 U.S.C. § 502.

39. *Worth*, 241 Cal. Rptr. at 136. See 17 U.S.C. § 503.

40. *Worth*, 241 Cal. Rptr. at 136. See 17 U.S.C. § 504.

41. 17 U.S.C. § 504.

42. *Worth*, 241 Cal. Rptr. at 136. A copyrightable work is one that meets the requirements of the Copyright Act.

43. *Id.*

44. *Id.*

erty law.<sup>45</sup> Regardless of the fact that Frederick Worth was the sole author of the trivia books, the court found the conclusion "inescapable" that the books were community property since they were written during the term of the marriage.<sup>46</sup>

The court pointed out that community property principles do not mandate that husband and wife expend equal efforts or make equal contributions in acquiring property.<sup>47</sup> "It is enough that the skill and effort of one spouse expended during the marriage resulted in the creation or acquisition of a property interest."<sup>48</sup>

The court, in finding the trivia books community property, also gave considerable weight to the stipulated judgment between Frederick and Susan Worth at the time of the interlocutory divorce decree. The judgment was drafted by Frederick Worth's attorney and stated:

The parties agree that future royalties from the books . . . listed on the Petition, along with all reprints shall be paid equally to Petitioner and Respondent. The parties agree that the literary agent for Respondent shall be joined as a party and that the agent shall pay directly to Petitioner her one-half interest in the royalties. The parties agree that the court shall reserve jurisdiction over any issues that may subsequently arise regarding the distinction between a re-edition or complete reworking of any book which is community property.<sup>49</sup>

From the reference in the divorce judgment to "any book which is community property," the court concluded that the parties understood and agreed that the two trivia books were community property.<sup>50</sup> Also, the court interpreted Frederick Worth's decision to divide the royalties equally as his acknowledgment that the books were community property.<sup>51</sup> The *Worth* court concluded, in effect, that the books were community property because of the parties' agreement. This reasoning is incorrect. In fact, community property principles would operate upon dissolution of marriage to give fifty percent of all property acquired during marriage to Susan Worth, regardless of Frederick Worth's stipulation.

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45. CAL. FAM. CODE § 760 (Deering 1994).

46. *Worth*, 241 Cal. Rptr. at 136.

47. *Id.*

48. *Id.* at 136-37.

49. *Id.* at 137.

50. *Id.*

51. One commentator has argued that a fifty-fifty split such as the one in *Worth* is likely to "be agreed to by any author spouse's attorney in any property settlement negotiation—unless that attorney knew of Section 201(e) and argued that it precludes such a division as to copyright interests." Francis M. Nevins, Jr., *When An Author's Marriage Dies: The Copyright-Divorce Connection*, 37 J. COPYRIGHT SOC'Y 382, 389 (1990). However, "[t]he overwhelming majority of divorce lawyers know nothing of copyright and therefore cannot conceive of such an argument." *Id.*

## 2. *Classification of the Copyrights as Community Property*

After finding that the books were community property, the court recognized that any rents, profits, income, or increase in value of community property would also be community property<sup>52</sup>—including the copyrights to the books. All related benefits, such as damages from an infringement suit, would also be community property.<sup>53</sup>

Both tangible and intangible property may be community property according to the *Worth* court.<sup>54</sup> “The fact that a copyright is intangible will not affect its community character or the community nature of any tangible benefits directly associated with the copyright.”<sup>55</sup>

The court distinguished *In re Marriage of Aufmuth*,<sup>56</sup> which held that classification of a legal education as a community asset went against community property principles,<sup>57</sup> because it would require the division of attributable post-dissolution earnings, which, by definition, constitute the separate property of the acquiring spouse.<sup>58</sup> A copyright is distinguishable from a law degree in that “[a] copyright has a present value based upon the ascertainable value of the underlying artistic work. Its value normally would not depend on the postmarital efforts of the authoring spouse but rather on the tangible benefits directly or indirectly associated with the literary product.”<sup>59</sup>

Despite this argument, it is unlikely that a script, song, or other original work of authorship fixed in a tangible medium of expression could shop itself around Hollywood. It is more probable that such a work, though created during marriage, would require rewriting or modification after dissolution to prepare it for commercial exploitation. After dissolution these efforts would be attributed solely to the author spouse<sup>60</sup> and should be that spouse’s separate property, not the

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52. *Worth*, 241 Cal. Rptr. at 137.

53. *Id.* at 139.

54. *Id.* at 137.

55. *Id.* at 138.

56. *Id.* (citing *In re Aufmuth*, 152 Cal. Rptr. 668 (Ct. App. 1979)).

57. *Aufmuth*, 152 Cal. Rptr. at 677-78.

58. Property acquired during marriage is community property, but property acquired after dissolution of marriage is the separate property of the earning spouse by virtue of the fact that the community no longer exists. See CAL. FAM. CODE §§ 760, 771 (Deering 1994). Upon dissolution of marriage the community terminates, and the non-acquiring spouse should not be awarded a community interest in the value of the post-marital efforts of the acquiring spouse.

59. *Worth*, 241 Cal. Rptr. at 138.

60. “The earnings and accumulations of a spouse and the minor children living with, or in the custody of, the spouse, while living separate and apart from the other spouse, are the separate property of the spouse.” CAL. FAM. CODE § 771.

property of the community. Under this analysis a copyright is arguably indistinguishable from a law degree. Treating a copyright as a community property asset would require division of attributable post-dissolution earnings—which would run counter to community property principles.<sup>61</sup>

### C. Vesting Versus Transfer

The *Worth* court avoided a serious discussion of the conflict between community property and copyright law regarding vesting of title. Because all property acquired during marriage is presumed to be community property, title of the copyright would automatically vest in both spouses. However, this is in direct conflict with § 201(a) of the Copyright Act, which states that a copyright vests initially in the author or authors of the work.<sup>62</sup>

The court implied that community property law does not conflict with federal copyright law because the copyright can initially vest in the author spouse under federal law and then can transfer to both spouses by operation of California community property law.<sup>63</sup> The court seems to be implicating § 201(d)(1) of the Copyright Act,<sup>64</sup> which provides for the transfer of copyright ownership. However, § 201(d)(1) appears to govern transfer only after initial ownership has vested in the author. The *Worth* court, by applying the transfer provision of § 201(d)(1), effectively rendered meaningless the vesting requirement of § 201(a).

Moreover, the court failed to explain why the federal Copyright Act expressly provided for implied assignment of authorship to an employer in § 201(b) but did not include a provision for implied assignment to a spouse.<sup>65</sup> Section 201(b) of the Copyright Act carves out an exception for vesting of initial ownership in the author by stating that

[i]n the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for purposes of this title, and, unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright.<sup>66</sup>

Note that § 201(b) doesn't transfer ownership; it infers that there is an implied agreement between the employer and employee that the em-

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61. *Id.*

62. 17 U.S.C. § 201(a) (1988).

63. *Worth*, 241 Cal. Rptr. at 139.

64. 17 U.S.C. § 201(d)(1).

65. *See id.* § 201(b).

66. *Id.*

ployer is to be the "author."<sup>67</sup> This section is in line with the goals of federal copyright protection because it still seeks to secure for the person ultimately responsible for stimulating creativity "the exclusive Right to their respective Writings."<sup>68</sup> An employer who pays an employee to create is rewarded for his investment and interest in creativity,<sup>69</sup> while the true author can retain the copyright by express written agreement of both parties.<sup>70</sup>

The ownership of copyright implied by the work for hire doctrine is significantly different from implying a transfer of title by operation of law. The transfer by operation of law does not allow the author to reject the transfer of title; instead it represents a taking of the author's copyright.<sup>71</sup> The justifications for the vesting provision of § 201(b) do not exist for an implied vesting in the non-author spouse.

The *Worth* court, relying on the transfer provision of § 201(d)(1), did not consider that § 201(e) of the Copyright Act might overrule a transfer by operation of state community property law.<sup>72</sup> Section 201(e) states that if an author has not voluntarily transferred owner-

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67. *Id.* Although by making the employer the "author," § 201(b) seems to work a transfer by operation of law; it is not a transfer, but rather an immediate vesting in the employer. Immediate vesting of title in the employer was expressly provided for by Congress. If Congress had intended to create an exception to § 201(a) for vesting of title in both author and non-author spouse, it would have done so by expressly providing for such vesting in the Copyright Act, just as it vested ownership in the work for hire context. Similarly, when Congress sought to protect the grandchildren, children, and widow or widower of the author, it did so expressly. See 17 U.S.C. §§ 203, 304 (1988 & Supp. V 1993).

68. U.S. CONST. art. I, § 8, cl. 8.

69. One commentator has argued that authorship for the employer is justified on the following grounds: "(1) The work is produced on behalf of the employer and under his direction; (2) The employee is paid for the work; and (3) The employer, since he pays all the costs and bears all the risks of loss, should reap any gain." William Patry, *Copyright and Community Property: The Question of Preemption*, 28 BULL. COPYRIGHT SOC'Y 237, 249 (1981).

70. Section 201(b) allows the parties to agree "otherwise" as to who "owns all rights comprised in the copyright." 17 U.S.C. § 201(b) (1988). There is implicit consent by the author to assign his right. Nimmer, *supra* note 4, at 406.

71. David Nimmer asks whether "just as Congress cannot constitutionally deem an employer automatically to be an 'author' absent at least an implied consent from the employee-author, so Congress lacks the authority to permit application of the community property laws to copyright, which would in effect deem a spouse to be a co-author?" Nimmer, *supra* note 4, at 406.

72. Section 201(e) states:

When an individual author's ownership of a copyright, or of any of the exclusive rights under a copyright, has not previously been transferred voluntarily by that individual author, no action by any governmental body or other official or organization purporting to seize, expropriate, transfer, or exercise rights of ownership with respect to the copyright, or any of the exclusive rights under a copyright, shall be given effect under this title except as provided under Title 11 [Bankruptcy].

17 U.S.C. § 201(e) (1988).

ship in the copyright or in any of the exclusive rights under the copyright, no action by any governmental body or other official or organization purporting to transfer or exercise rights of ownership with respect to the copyright, or any of the exclusive rights under the copyright, shall be given effect.<sup>73</sup>

Here federal law seems to conflict with California's application of community property law. Under federal copyright law, because the author spouse did not previously transfer ownership voluntarily to the non-author spouse, California community property law should not be able to intervene to transfer title.<sup>74</sup>

#### D. Preemption

Federal copyright law clearly conflicts with California community property law. The critical question is whether California law should be preempted under the Supremacy Clause<sup>75</sup> or by a statutory provision of the federal Copyright Act. Section 301 of the Copyright Act expressly addresses preemption of state law,<sup>76</sup> and § 201(e) preempts a transfer of copyright ownership by operation of state community property law.<sup>77</sup>

##### 1. *The Court's Discussion of Preemption*

Frederick Worth made two arguments in support of federal preemption of California community property law. First, he argued that because state community property law conflicted with the federal Copyright Act, federal law should preempt state law under the Supremacy Clause.<sup>78</sup> The two bodies of law are in conflict, he pointed out, because under California community property law both author and non-author spouses have equal interests in the community prop-

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73. *Id.* § 201(d)(1).

[B]y section 201(e)'s extension to domestic actions, it would appear that a divorce or probate court in *any* state is disabled from awarding to a nonauthor spouse interests in his or her author spouse's copyright involuntarily, for the award as an enforceable state action would work an involuntary transfer within the meaning of 201(e).

Patry, *supra* note 69, at 267.

74. The impact of § 201(e) on state domestic relations is clear to Nevins. "Since January 1, 1978, state courts have been precluded from involuntarily awarding any share of a married author's copyrights to his or her non-author spouse as matrimonial property in a divorce action." Nevins, *supra* note 51, at 383.

75. "This Constitution, and the Laws of the United States which shall be made in Pursuance thereof . . . shall be the supreme Law of the Land." U.S. CONST. art. VI, § 5.

76. *See infra* note 88.

77. 17 U.S.C. § 201(e).

78. *In re Marriage of Worth*, 241 Cal. Rptr. 135, 139 (Ct. App. 1987).

erty; but under the Copyright Act, the copyright would vest only in the author spouse.<sup>79</sup>

Frederick Worth relied on *Hisquierdo*<sup>80</sup> and related cases<sup>81</sup> to establish that previously, in community property states where there had been a conflict between state and federal law, the state law had been preempted.<sup>82</sup> The court, however, concluded that in these cases the federal benefits at issue were expressly defined by Congress to be the separate property of the designated recipient.<sup>83</sup> In the present case, the federal Copyright Act did not expressly designate copyright ownership as the separate property of the author.<sup>84</sup> Rather, the Act allowed co-ownership of copyright and transfer of all or part of a copyright interest.<sup>85</sup> Furthermore, the court interpreted the Act as stipulating that ownership only vests initially in the author<sup>86</sup> and found nothing in the Act that expressly "precludes the acquisition of a community property interest by a [non-author] spouse, or which is otherwise inconsistent with [California] community property law."<sup>87</sup>

Frederick Worth's second preemption argument was based on § 301 of the Copyright Act,<sup>88</sup> which precludes a state from granting any rights equivalent to the federal rights granted in § 106 of the

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79. *Id.*

80. *Hisquierdo v. Hisquierdo*, 439 U.S. 572 (1979). Even though Congress expressed a policy different from the holding of *Hisquierdo* (by enacting statute 45 U.S.C. § 231m (b)(2)), *Hisquierdo* still articulates the Supreme Court standard for assessing community property preemption under the Supremacy Clause. Roberts, *supra* note 6, at 1061 n.59. The standard in *Hisquierdo* is that "[s]tate family and family-property law must do 'major damage' to 'clear and substantial' federal interests before the Supremacy Clause will demand that state law be overridden." 439 U.S. at 581 (quoting *United States v. Yazell*, 382 U.S. 341, 352 (1966)).

81. *McCarty v. McCarty*, 453 U.S. 210 (1981); *Free v. Bland*, 369 U.S. 663 (1962); *Wissner v. Wissner*, 338 U.S. 655 (1950).

82. In *Hisquierdo* federal law was found to preempt state law because California's community property laws were in conflict with the federal Railroad Retirement Act which vested ownership of railroad retirement benefits exclusively in the railroad employee spouse. 439 U.S. at 590-91.

83. *Worth*, 241 Cal. Rptr. at 139.

84. *Id.*

85. *Id.* See 17 U.S.C. §§ 201(a), (d) (1988).

86. *Worth*, 241 Cal. Rptr. at 139.

87. *Id.*

88. *Id.* 17 U.S.C. § 301 (1988 & Supp. V 1993) states:

(a) On and after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103, whether created before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.



Copyright Act. The court also rejected this argument, finding that § 301 reveals an intent by Congress to supersede only state copyright laws.<sup>89</sup> The court suggested instead that a state law "will be preempted only if the rights granted under state law are 'equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106.'"<sup>90</sup> The court noted that other state laws, such as those governing breach of contract, conversion, and defamation have not been preempted.<sup>91</sup> The court concluded that "[r]ights of ownership and division of marital property are in no way equivalent to rights within the scope of copyright under the federal Copyright Act"<sup>92</sup> and refused to invoke preemption under § 301.<sup>93</sup>

## 2. Supremacy Clause Preemption Argument

Because the language of the Supremacy Clause is clear and unambiguous, it is remarkable that the California Court of Appeal in *Worth* was not more troubled by its conclusion that California community property law is not preempted by federal copyright law.<sup>94</sup> Congress enacted the Copyright Act under its constitutional authority to promote the arts by specifically securing for authors the exclusive right to their writings.<sup>95</sup> Because the Copyright Act is a valid exercise of congressional power, it is a valid federal law and should preempt any conflicting state law.

The *Worth* court ignored two facts in dismissing Frederick Worth's reliance on *Hisquierdo*.<sup>96</sup> First, it failed to recognize that

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- (b) Nothing in this title annuls or limits any rights or remedies under the common law or statutes of any State with respect to — (1) subject matter that does not come within the subject matter of copyright as specified by sections 102 and 103, including works of authorship not fixed in any tangible medium of expression; or (2) any cause of action arising from undertakings commenced before January 1, 1978; (3) activities violating legal or equitable rights that are not equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106.

89. *Worth*, 241 Cal. Rptr. at 139.

90. *Id.* (quoting 17 U.S.C. § 301(a)).

91. *Worth*, 241 Cal. Rptr. at 139-40.

92. *Id.* at 140.

93. *Id.*

94. Nevins believes that "[c]opyright is a form of property created by federal statute and specifically authorized by the Constitution. There can be no doubt that Congress has power under the Supremacy Clause to preclude state courts from dividing this or any other federally created form of property between divorcing spouses." Nevins, *supra* note 51, at 383.

95. Congress has the power "[t]o Promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. CONST. art. I, § 8, cl. 8.

96. See *supra* text accompanying notes 78-87, distinguishing *Hisquierdo* from *Worth*.

Congress, in stating that a "[c]opyright in a work protected under this title vests initially in the author or authors of the work,"<sup>97</sup> expressly designated a copyright as the separate property of the author. The Copyright Act confers an exclusive property right at the time of creation of the rights in the author alone.

Second, the court incorrectly concluded that § 201(d) of the Copyright Act, which allows ownership of a copyright to be transferred by operation of law, did not conflict with California community property law. The *Worth* court ignored § 201(e), which precludes transfer by operation of law unless the author has previously made a voluntary transfer of the copyright.<sup>98</sup> This was a crucial omission by the court because Frederick Worth had not made a voluntary transfer of his copyright prior to the transfer of ownership that took place under California community property law. The court appears to have hastily rejected Frederick Worth's preemption argument based on the Supremacy Clause without careful consideration.

In addition, the court incorrectly concluded that Frederick Worth's reliance on *Hisquierdo* and other related cases<sup>99</sup> was misplaced.<sup>100</sup> The court does not seem to have considered the reasoning supporting preemption in these cases. In *Hisquierdo* the Supreme Court concluded that classifying railroad retirement benefits as community property would threaten to penalize the railroad employee, whom Congress had specifically sought to protect, and would frustrate federal law.<sup>101</sup> In the *Worth* case federal law would also be frustrated, and those whom Congress sought to protect would be penalized, if state community property law were permitted to transfer copyright ownership from the author spouse and vest it in both the author and non-author spouses. The Copyright Clause of the Constitution guarantees an author the exclusive right to his writing for a specific period of time.<sup>102</sup> The Copyright Act ensures that until the author has transferred his or her copyright voluntarily, no governmental body may transfer or exercise rights of ownership.<sup>103</sup> *Hisquierdo* cannot in fact be clearly distinguished from *Worth*.

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97. 17 U.S.C. § 201(a) (1988).

98. David Nimmer suggests that an author domiciled in California might implicitly consent to operation of California community property law, which works a transfer on ownership of copyrights. Nimmer, *supra* note 4, at 407-15.

99. See *supra* note 81.

100. *In re Marriage of Worth*, 241 Cal. Rptr. 135, 139 (Ct. App. 1987).

101. *Hisquierdo v. Hisquierdo*, 439 U.S. 572, 590 (1979).

102. U.S. CONST. art. I, § 8.

103. 17 U.S.C. § 201(e) (1988). Note, however, that involuntary transfers provided for under Title 11 dealing with bankruptcy will have effect.

The cases related to *Hisquierdo*<sup>104</sup> present other examples when state community property law has been preempted by federal law. Courts found state law preempted because application of state law would threaten a comprehensive goal of Congress,<sup>105</sup> and when a state law conflicts with a valid federal law, the Supremacy Clause compels application of federal law.<sup>106</sup>

It is clear from analyzing the *Worth* decision that congressional goals of encouraging authorship and protecting authors' rights will be threatened by the application of California community property law to copyright ownership. The Supreme Court has invoked the Supremacy Clause several times when it found congressional goals threatened by the application of state law.<sup>107</sup> In *Wissner v. Wissner*<sup>108</sup> the Court held that a serviceman's life insurance proceeds were his separate property and that he had the right to designate the beneficiary of the policy, regardless of whether the premiums were paid with community property funds.<sup>109</sup> The Court reasoned that the National Service Life Insurance Act of 1940 was a way for Congress to provide "a uniform and comprehensive system of life insurance for members and veterans of the armed forces of the United States."<sup>110</sup> The Court found in the Act and the statutory plan a liberal policy toward the serviceman and his ability to choose a beneficiary.<sup>111</sup> On that basis

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104. See *supra* note 81.

105. *Wissner v. Wissner*, 338 U.S. 655 (1950).

106. *Free v. Bland*, 369 U.S. 663 (1962).

107. *Wissner*, 338 U.S. at 655.

108. *Id.*

109. *Id.* at 658-59.

110. *Id.* at 658.

111. *Id.* In 1973 the United States Supreme Court in *Goldstein v. California* faced the issue of whether a California state statute, which made it a criminal offense to pirate recordings produced by others, should be preempted by federal copyright law. 412 U.S. 546, 551 (1973). The Court applied an analysis similar to that of *Wissner* but reached a different conclusion. *Id.* at 555-60. The *Goldstein* Court found that a major goal of the copyright clause was to provide national protection for writings. *Id.* at 555-57. However, instead of concluding that the state statute should be preempted because it allowed for state protection in an area [sound recordings] that the federal copyright law had chosen not to protect, the Court concluded that federal preemption was inappropriate. *Id.* at 558. The Court did not recognize a conflict between state and federal law because it felt that some works were of purely local importance and did not require national protection. *Id.* Thus, the Court found that the federal interest in providing rights that were national in scope did not require a state to relinquish its power to grant copyright protection. *Id.* The Court saw nothing expressly limiting copyright protection to the federal Copyright Act and precluding state legislation in the area. The Court implied that Congress had not spoken with the clarity required to invoke preemption of federal law. Where "Congress determines that neither federal protection nor freedom from restraint is required by the national interest, it is at liberty to stay its hand entirely." *Id.* at 559. Professor Goldstein agrees: "Absent an explicit federal command, states are free to protect subject matter that is not protected by

the Court held that the insurance proceeds were not community property because "Congress ha[d] spoken with force and clarity in directing that the proceeds of the insurance belong to the named beneficiary."<sup>112</sup>

Just as the National Service Life Insurance Act was part of a comprehensive plan to enhance the morale of a serviceman by providing him with insurance benefits, the Copyright Act and the statutory plan behind it promote the overall goal of encouraging authorship and protecting authors. Just as applying state community property law to insurance benefits would dilute Congress' goal of enhancing morale, transferring ownership from an author to a non-author spouse, as required by California community property law, is likely to serve as a disincentive to create. The *Worth* court should have found that application of state community property law to copyright ownership would nullify federal law, just as the Supreme Court in *Wissner* held that insurance benefits were not community property.<sup>113</sup>

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the Copyright Act." 2 PAUL GOLDSTEIN, COPYRIGHT PRINCIPLES, LAW AND PRACTICE § 15.3.3 (1989).

Although the Court in *Goldstein* rejected the invocation of federal preemption based solely on the need to satisfy a goal expressed by Congress, it implied a willingness to invoke federal preemption when the need to satisfy an articulated goal of Congress is coupled with an express statement by Congress that a particular area is to be protected by federal law. 412 U.S. at 561. Thus, it seems likely that if the United States Supreme Court were presented with a situation similar to that of *Worth*, it would invoke preemption based on (1) an articulated federal goal which is repugnant to state law, and (2) an express statement by Congress that federal law is to occupy the area.

In *Worth* the California Court of Appeal was presented with an articulated federal goal derived from the copyright clause of the Constitution, to encourage authorship and protect authors by vesting them with the exclusive right to their works for a limited time. This goal was coupled with an express statement by Congress that a copyright in a work protected under the Copyright Act shall vest initially in the author or authors of the work. 17 U.S.C. § 201(a) (1988). Hence, under the analysis applied in *Goldstein* it seems likely that state community property law would be found preempted by federal copyright law.

112. *Wissner*, 338 U.S. at 655, 658.

113. *Id.* at 655. See also *McCarty v. McCarty*, 453 U.S. 210 (1981). In *McCarty* the Supreme Court considered whether community property principles could be applied to military retirement pay. The Supreme Court held that federal law precludes a state court from dividing military retirement pay pursuant to state community property laws. *Id.* at 236. The *McCarty* Court found a conflict between state community property law, *id.* at 232, because the federal military retirement system confers no entitlement to a spouse of a retired military employee. *Id.* at 235. The Supreme Court found that the application of community property principles to military retirement pay would threaten "grave harm to 'clear and substantial' federal interests." *Id.* at 232. The Supreme Court reasoned that congressional goals would be frustrated if community property principles were applied to retirement pay, because the amount of pay Congress had determined necessary for the retired employee would be reduced. This reduction in pay upon retirement might interfere with Congress' ability to induce people to enlist and its ability to encourage people to retire. This would then frustrate Congress' ability to encourage orderly promotion and to keep the military youthful.

The Supreme Court has also preempted state law in situations when the Supremacy Clause compelled such a ruling. The Supremacy Clause compels the application of federal law if a valid federal law exists and there is a conflict between that federal law and a state law.<sup>114</sup> The federal law at issue, the Copyright Act, is a valid federal law which vests ownership of copyright initially in the author only. California community property law conflicts with the Copyright Act by vesting ownership of copyright in both author and non-author spouses, while federal copyright law vests ownership in the author only. This is a clear conflict between state and federal law. The Supremacy Clause therefore compels application of federal copyright law over state community property law.

*Worth* ignored the need to protect a comprehensive goal of Congress, which would be threatened if state law were applied. *Worth* also failed to recognize that in this case the Supremacy Clause compels application of federal copyright law.<sup>115</sup>

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In 1983 *McCarty* was overruled by statute when Congress enacted the Uniformed Services Former Spouses' Protection Act, Pub. L. No. 97-252, § 1002, 96 Stat. 730 (1982) (codified as amended at 10 U.S.C. § 1408 (1988 & Supp. V 1993)), to permit a state court to treat military retirement pay as individual or joint property according to state law. *Olson v. Olson*, 445 N.W.2d 1, 8 (N.D. 1989).

*Bullock v. Bullock*, 354 N.W.2d 904 (N.D. 1984), discussed Congress' enactment of the Uniformed Services Former Spouses' Protection Act which became effective February 1, 1983. It stated that "a court may treat disposable retired or retainer pay payable to a member for pay periods beginning after June 25, 1981, either as property solely of the member or as property of the member and his spouse in accordance with the law of the jurisdiction of such court." *Id.* at 907 (quoting H.R. Rep. No. 749, 97th Cong., 2d Sess. 165 (1982), reprinted in 1982 U.S.C.A.N. 1569, 1570). The court in *Bullock* stated that the provision was intended to remove the federal preemption found by the United States Supreme Court in *McCarty v. McCarty*, and to permit state and other courts to apply state law in determining whether military retirement pay should be divisible. *Id.* Please note that nothing in the Uniformed Services Former Spouses' Protection Act requires division; the issue is left open to the courts.

114. *Free v. Bland*, 369 U.S. 663, 666 (1962). In *Free* the Supreme Court held Treasury Regulations were to be applied to United States savings bonds, not Texas community property law. *Id.* at 670. This meant that the right of survivorship applied to bonds which were taken in the name of husband or wife, regardless of whether community property funds were used to purchase the bonds. *Id.* The Court used the two-prong inquiry to determine if the Supremacy Clause had been triggered. *Id.* at 666. The Court also considered the purpose of the regulations set by the Treasury.

115. If *Worth* were before the Supreme Court today, based on *Bonito Boats, Inc. v. Thunder Craft Boats Inc.*, 489 U.S. 141 (1989), the Court would probably find state law preempted. In *Bonito Boats* a unanimous Court held that a Florida statute prohibiting the use of a direct molding process to duplicate unpatented boat hulls was preempted by federal patent law under the Supremacy Clause. *Id.* at 144. The Court reasoned that the federal policy of encouraging invention, while at the same time allowing for free competition in unpatented ideas, was undermined by the Florida statute, which it found to extend state patent protection to an idea which was unpatented or unpatentable under federal law. *Id.* at 151. The Court found that the federal patent system balances the need to encourage

### 3. Section 301 Preemption Argument

Frederick Worth also argued for preemption based on § 301 of the Copyright Act.<sup>116</sup> The court found that rights of ownership and division of marital property were not equivalent to the rights under the federal Copyright Act.<sup>117</sup> Under § 301, no person is entitled to any right under the common law or any state statute if that right is equivalent to a particular right found in the Copyright Act. This means that any state right that is determined by a court to be "equivalent" to any of the federally created exclusive rights under § 106 of the Copyright Act must be preempted. Thus if the work at issue falls within the definition of copyrightable subject matter<sup>118</sup> and the right created under state or common law is equivalent to a right granted under § 106 of the Copyright Act, then federal law will trump state law, and preemption will be invoked.<sup>119</sup>

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creation and disclosure of "new, useful, and non-obvious advances in technology and design" with the exclusive right of the inventor to practice the invention for a limited duration. *Id.* at 150-51. The offer of federal protection from competitive exploitation of intellectual property would be rendered meaningless if substantially similar state law protections were available. *Id.* Federal patent laws must determine not only what is protected, but also what is free for all to use, so as to not render federal protection obsolete. *Id.* at 151. "[T]hrough the creation of patent-like rights, the States could essentially redirect inventive efforts away from the careful criteria of patentability developed by Congress over the last 200 years." *Id.* at 157. In addition, national uniformity, one of the central purposes behind the patent and copyright clauses of the Constitution, is frustrated by a state statute which affords protection for ideas which would not be protected under the federal law. *Id.* at 162. States are not free to offer equivalent protections to ideas "which Congress has determined should belong to all." *Id.* at 164-65. The Florida statute disturbs the balance between federal patent policy and free competition by restricting the public's ability to exploit ideas that the patent system mandates shall be free for all to use. *Id.* at 167.

Applying the reasoning in *Bonito Boats* to the facts of *Worth*, preemption of state community property law is necessary since fundamental goals of the Constitution, those of fostering incentive for authors to create and enabling national uniformity, are frustrated. California community property law protects the property right of the non-author spouse by vesting both spouses with co-ownership of the copyright. This directly conflicts with federal law, which states that the author of a work has certain exclusive rights for a period of time. In addition, one of the fundamental purposes behind the Copyright Clause was to ensure national uniformity. California community property law restricts national uniformity by establishing rules of ownership which apply in only one state.

California community property law undermines federal copyright law by vesting ownership in the author and non-author spouses and allowing shared ownership and management of the copyright. Federal copyright law expressly vests title in the author and gives him, exclusively, the rights of exploitation. Federal protection for the author under the Copyright Act is meaningless if state law can operate to vest ownership in the author and the non-author spouse.

116. 17 U.S.C. § 301 (1988 & Supp. V 1993). See *supra* note 88.

117. *In re Marriage of Worth*, 241 Cal. Rptr. 135, 139-40 (Ct. App. 1987).

118. See 17 U.S.C. §§ 102, 103 (1988).

119. *Id.* § 106. See *supra* note 88 and accompanying text.

The *Worth* court did not apply the two step preemption analysis prescribed by § 301 in order to determine whether California community property law should have been preempted. Instead, the court incorrectly interpreted § 301 as dictating that only state copyright laws could be preempted.<sup>120</sup> The *Worth* court supported its conclusion by considering other state rights, such as breach of contract, conversion, and defamation, that were not preempted.<sup>121</sup> The court reasoned that community property laws dealing with ownership, management, and division of marital property were at issue, not state copyright laws; therefore, there could be no preemption.<sup>122</sup>

If the analysis in § 301 had been applied, the court would have concluded that preemption was necessary. First, the trivia books at issue in *Worth* fell within the definition of copyrightable subject matter.<sup>123</sup> The books, depending on their content, could have been classified either as original literary works or as compilations, fixed in a tangible medium of expression, from which they could be perceived, reproduced, or communicated.<sup>124</sup> Thus, because the books fit within the subject matter of copyright, the first prong of the § 301 preemption inquiry would have been satisfied.

The second prong of the inquiry requires a finding that a state or common law right is equivalent to one of the rights established under § 106 of the Copyright Act.<sup>125</sup> The House Judiciary Committee report on § 301 states that all state laws that grant rights corresponding to rights created under § 106 are preempted and asserts that "corre-

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120. *Worth*, 241 Cal. Rptr. at 139-40.

121. *Id.* at 138. The version of § 301 reported out of the House and Senate Committees expressly stated that certain rights against misappropriation, breaches of contract, breaches of trust, trespass, conversion, invasion of privacy, defamation, and deceptive trade practices were not equivalent to the exclusive rights designated under § 106 of the Copyright Act. ABRAMS, *supra* note 11, § 6.03[C][1], at 6-38. As Abrams notes, the list of rights was intended to illustrate rights and remedies that are different in nature from the § 106 rights in the Copyright Act and that are not preempted by federal law but may continue to be protected under state common law or statute. *Id.* This list was deleted when § 301 was enacted.

122. *Worth*, 241 Cal. Rptr. at 139-40.

123. See 17 U.S.C. §§ 102, 103 (1988).

124. See *id.* § 102.

125. See *id.* § 106 (1988 & Supp. V 1993). "This seemingly straightforward inquiry into whether a claimed right under state law is equivalent to the five rights listed in § 106 of the Copyright Act has become a problem of significant, and perhaps unnecessary, complexity." ABRAMS, *supra* note 11, § 6.03[C], at 6-36. "Frequently, the courts have adopted a method suggested by language in the Committee Reports which uses identity of elements of proof as the test of whether rights are equivalent." *Id.* § 6.03[C], at 6-37. Case law has referred to this method as the "extra element test." Abrams suggests that this method is illogical and that it leads to erroneous results. *Id.*

sponding" rights are not necessarily identical rights.<sup>126</sup> Under the Judiciary Committee interpretation of § 301, state law governing management rights of community property need not be identical to rights under § 106 if they correspond to, and affect the exercise of, exclusive rights under that section.

One inquiry used by courts to determine whether a state or common law right is equivalent to one of the rights established under § 106 of the Copyright Act is whether the state law "creates, grants, or destroys any rights that are 'equivalent' to the exclusive rights" granted in § 106.<sup>127</sup>

This means that a state statute which creates rights that can be violated by the exercise of any § 106 right would be preempted by the federal statute. California community property law creates ownership and management rights which allow either the author spouse or non-author spouse to make an exclusive license granting the right to reproduce the work, prepare derivative works based on the work, distribute the work, publicly perform the work, or publicly display the work. This violates the Copyright Act by giving the non-author spouse rights not created by the Copyright Act. Under federal copyright law, for example, an author's § 106 rights would be violated if a non-author spouse were permitted to license that work, because federal copyright law vests ownership in the author of an original work fixed in a tangible medium and § 106 grants exclusive rights to the author alone. California community property law, on the other hand, creates ownership rights for a non-author and grants that non-author § 106 rights. Federal preemption of California community property laws involving copyright is warranted under this equivalent right test.

Another test used by courts to determine whether state rights are equivalent to rights granted under § 106 is the "extra element" test.<sup>128</sup> Under this test, a state claim will not be preempted by the Copyright Act if it contains an extra element that qualitatively distinguishes the state action and the underlying rights asserted from those granted under § 106.<sup>129</sup> The extra element must therefore change the nature of the action in a manner which makes it fundamentally different from a copyright infringement claim.<sup>130</sup>

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126. Patrick McNamara, Note, *Copyright Preemption: Effecting the Analysis Prescribed by Section 301*, 24 B.C. L. REV. 963, 983 (1983).

127. *Allied Artists Pictures Corp. v. Rhodes*, 496 F. Supp. 408, 443 (S.D. Ohio 1980).

128. ABRAMS, *supra* note 11, § 6.03[C][1], at 6-40.

129. *Id.* See, e.g., *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539 (1985).

130. LEAFFER, *supra* note 9, § 11.7, at 335.



To apply the extra element test to the action in *Worth*, it is necessary to characterize the type of action that Susan Worth initially brought in Superior Court. *Worth* involved an appeal by author Frederick Worth of an order granting his ex-wife half of all royalties received from the exploitation of his two trivia books, in addition to any proceeds from Frederick Worth's lawsuit for copyright infringement.<sup>131</sup> The action was one for a classification and division of the property at issue, as well as for an accounting of all profits and royalties received from such property. The question then becomes whether these claims involved rights similar to the § 106 rights granted to an author under the Copyright Act, or whether these claims contained elements which made them fundamentally different from a copyright infringement claim.

Claims for classification and division of marital property, as well as for an accounting, are fundamentally different from a copyright infringement claim. An infringement claim requires that a third party violate "one or more of the copyright owner's exclusive rights as enumerated under section 106 of the [Copyright Act];"<sup>132</sup> the other claims do not have this requirement. Also, an action for classification and division of marital property presumes the existence of a community, which implies that the parties to the action have been married. The element of marriage that is required for a classification and division claim seems to be an extra element when compared with the elements necessary to bring a copyright infringement claim.<sup>133</sup> It seems, then, that the court could have found the claims in *Worth* fundamentally different from a copyright infringement claim and could have concluded that California community property law was not preempted by the federal Copyright Act.

Because the *Worth* case did not involve the violation of any § 106 rights, which trigger a claim for copyright infringement, it seems highly unlikely that California community property law would have sought to protect any of those rights in this instance. On the other hand, because the claims in *Worth* were fundamentally different than a § 106 claim,<sup>134</sup> the extra element test was arguably misplaced.

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131. *In re Marriage of Worth*, 241 Cal. Rptr. 135, 135 (Ct. App. 1987).

132. LEAFFER, *supra* note 9, § 9.1, at 265. NIMMER & NIMMER, *supra* note 10, § 6.10, at 6-27.

133. The copyright owner must prove ownership of a valid copyright in the work and copying of that work by the defendant. LEAFFER, *supra* note 9, § 9.2, at 265. See Marshall Leaffer's discussion on infringement. *Id.* § 9.

134. See, e.g., *Mountain State Properties, Inc. v. Robinson*, 771 P.2d 5 (Colo. Ct. App. 1988) (action seeking an accounting of profits from a joint owner of a co-authored work was not an action for copyright infringement that belongs in federal court).

In determining whether California community property law should have been preempted under § 301 of the Copyright Act the *Worth* court ignored: (1) the two-step preemption analysis prescribed by § 301 of the Copyright Act; (2) the conflict between federal copyright law and state community property law, which both grant rights of ownership and management; (3) that these corresponding rights suggest that California community property law should be preempted in favor of the Copyright Act; and (4) that California community property law impermissibly restricts an author's exclusive right, as copyright owner, to exercise the rights granted by § 106. These factors which were ignored by the *Worth* court, suggest that under § 301 of the Copyright Act, California community property law should have been preempted. Although under the extra element test it might appear that preemption should not be invoked, the test seems misplaced where the rights of action are fundamentally different than the rights granted to an author under § 106 of the Copyright Act.

4. *Section 201(e)—The Forgotten Preemption Argument*<sup>135</sup>

Frederick Worth might have made a more convincing argument for preemption based on § 201(e) of the Copyright Act.<sup>136</sup> This section provides that if an author has not transferred a copyright, no action by any governmental body transferring ownership rights will be given effect.<sup>137</sup> Under the Copyright Act, ownership vests initially in the author.<sup>138</sup> California community property law automatically transfers the author's copyright to both the author and spouse, as co-owners, without voluntary transfer by the author.<sup>139</sup> Since the application of state law directly conflicts with federal law, § 201(e) precludes giving effect to California community property law.

Admittedly, the decision to marry in California arguably establishes consent to California community property law and its effects on the ownership, management, and division of copyright.<sup>140</sup> Absent

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135. Howard B. Abrams suggests in his treatise *LAW OF COPYRIGHT* that there can be preemption under § 201 of the Copyright Act as well as under § 301. According to Abrams, the *Worth* court failed to consider the issue of whether a forced transfer of ownership in a copyright by virtue of community property principles was prohibited under § 201(e). ABRAMS, *supra* note 11, § 6.04[C], at 6-55.

136. 17 U.S.C. § 201(e) (1988). See *supra* note 72 and accompanying text.

137. 17 U.S.C. § 201(e).

138. *Id.* § 201(a).

139. This is the resulting effect of CAL. FAM. CODE § 760 on property acquired during marriage.

140. Nimmer argues that "application of community property laws to copyrighted works stands or falls based on whether married authors have at least implicitly consented to transfers of their works" by a decision to marry. Nimmer, *supra* note 4, at 409.

such consent, however, the *Worth* court should not have rejected the state law preemption arguments.<sup>141</sup> Because California community property law acts to automatically transfer exclusive copyright ownership from the author spouse, it falls squarely within § 201(e) and would “clearly” be preempted.<sup>142</sup> Furthermore, Patry states “section 201(e)’s extension to domestic actions . . . [disables any court] from awarding to a non-author spouse interests in his or her author spouse’s copyright involuntarily, for the award as an enforceable state action would work an involuntary transfer within the meaning of § 201(e).”<sup>143</sup>

The foregoing analysis, considering whether California community property law should be preempted by the Supremacy Clause<sup>144</sup> or by the statutory provision in the federal Copyright Act (under § 301, which deals expressly with preemption, or § 201(e), which by its language preempts transfer by operation of California community property law), arguably establishes that the *Worth* court erred in upholding the application of state law. Under the court’s § 301 analysis, however, it is unclear whether the court correctly rejected preemption. Courts have not strictly followed a standard § 301 analysis; some look to § 301, some ignore § 301 and focus on the Supremacy Clause, while others consider the Supremacy Clause as well as § 301.<sup>145</sup> Without a standard method of analysis, it is difficult to determine how a court should hold.

#### E. Future Problems Might Result Because of the *Worth* Decision

Because the *Worth* court quickly dismissed any inconsistencies that existed between copyright and community property law, it avoided many important issues that will continue to face California courts. If courts are to determine the status of a California author’s original work,<sup>146</sup> they must confront the sources, realize the differences, and consider the goals of each law.<sup>147</sup>

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141. *Id.*

142. *Id.*

143. Patry, *supra* note 69, at 267.

144. U.S. CONST. art. VI, cl. 2. See *supra* note 75 and accompanying text.

145. See McNamara’s article suggesting a “basis test” for a preemption analysis under § 301 that (1) compares federal and state rights; (2) determines the reasons for the passage of state law; (3) examines the effect on federal copyright laws; and (4) assesses the significance of that effect. McNamara, *supra* note 126, at 1006-10.

146. 17 U.S.C. § 102 (1988).

147. Copyright seeks to encourage authorship and foster incentive to create. U.S. CONST. art. I, § 8, cl. 8. Federal copyright law also seeks to establish a single national standard for copyright exchange. Community property law seeks to recognize in economic terms the contributions of non-earning spouses. Roberts, *supra* note 6, at 1059.

California courts should reconsider the *Worth* decision. *Worth* omitted at least four considerations from its analysis. Because of these omissions, the *Worth* decision failed to balance the rights of an author's spouse with an author's ability to effectively exploit ownership rights in a creative work.<sup>148</sup>

First, the court dismissed, with little hesitation or analysis, the invocation of preemption.<sup>149</sup> The court rejected preemption grounded in the Supremacy Clause as well as § 301 of the Copyright Act. Further, the court failed to consider § 201(e) and whether that section prevented the transfer of copyright by operation of California community property law. The court seems to have been primarily interested in protecting the power of the state to control the division of intellectual property. Unfortunately, the court rejected federal preemption at the expense of an author's rights.

Second, the court hastily concluded that a legal education was analytically distinguishable from a copyright. This is significant because this distinction allowed the court to find a copyright to be a community property asset.

Third, the court left unclear whether transfers of community property copyrights are to be governed by California community property law or federal copyright law.<sup>150</sup> The two laws present differing standards for the transfer of copyright.<sup>151</sup> The court's failure to define the transfer standard places buyers of copyright interests in a precarious position; they cannot be certain that a transfer is valid unless both federal and state standards are met.<sup>152</sup> Under both federal copyright and California community property law, a single co-owner can convey a nonexclusive license without the consent of the other co-owner.<sup>153</sup> Under the federal copyright standard, both co-owners must agree to execute an exclusive license. No exclusive transfer executed by an author spouse is valid without the signature of the non-author

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148. Nimmer, *supra* note 4, at 412.

149. According to Nevins, "[t]he Court's pre-emption analysis, if turned in by a law student on an examination, would hardly merit a D." Nevins, *supra* note 51, at 398.

150. Roberts agrees that the *Worth* court did not address the appropriate standard for copyright transfers. Roberts, *supra* note 6, at 1054-55.

151. The standards are based on the concept of joint ownership under copyright law versus joint ownership under California community property law.

152. The possibility of invalid transfer is always a risk for the transferee. Usually, a covenant in the contract to convey warrants that the transferor has ownership of the rights it purports to convey and that he will indemnify the transferee in the event that he is found not to have valid ownership. The uncertainty of the standard to be applied merely increases the burden on the transferee. For example, marriage affects the disposition of the transferor's property. Roberts, *supra* note 6, at 1055.

153. CAL. FAM. CODE § 1100 (Deering 1994). Without the consent of other co-owners, a co-owner can only issue non-exclusive licenses. ABRAMS, *supra* note 11, § 4.03[B][4].

spouse. The transferee must find out whether the author was married at the time of creation of the work to determine what signatures are required.

Under California community property law, either co-owner can execute an exclusive license.<sup>154</sup> This means that a non-author spouse can grant an exclusive license without an author's knowledge or consent, as long as the transfer is made for fair and reasonable value.<sup>155</sup> If the California community property standard is used, purchasers of copyright interests must be concerned with the "sale-out-from-under problem."<sup>156</sup> This occurs when the non-author spouse executes an exclusive license, rendering the author spouse powerless to transfer any rights in the work. The federal copyright scheme avoids this problem because the non-author spouse must have the signature of the author spouse to grant an exclusive license.<sup>157</sup>

The *Worth* decision will have far reaching effects. It will affect not only husband and wife upon dissolution, but might place the entertainment industry, which needs to license copyrighted works, in the frustrating and burdensome position of having to find out if the person licensing a work is married, is domiciled in California, has primary management and control of the copyright "business," created the work during a marriage, and has previously granted an exclusive license in the work to another party (and whether a spouse has previously granted such a license).<sup>158</sup> In an industry where performance between parties often takes place before a contract is written, applying California community property law will likely increase litigation between the entertainment industry and third-party claimants.

#### IV Proposed Resolution

The *Worth* court's holding that federal law does not preempt California community property law nullifies an author's exclusive rights granted under the Copyright Act by giving the non-author spouse co-ownership of the copyright and equal management and control of the rights flowing from copyright ownership. Moreover, if upon dissolution the copyright is not awarded to the author, sold, or made subject to division, the non-author spouse continues to have rights even when

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154. CAL. FAM. CODE § 1100.

155. *Id.*

156. Roberts, *supra* note 6, at 1055.

157. Under copyright law, one co-owner must have the written consent of the other co-owner to make an exclusive license. 17 U.S.C. § 204(a).

158. Perlstein raises the first four issues also. Perlstein, *supra* note 5, at 7.

estranged from the author. These rights include an equal share of all royalties derived from the exploitation of the work.<sup>159</sup>

Formulating an alternative resolution to *Worth* requires re-evaluating the goals of community property and copyright law. California community property law seeks to protect a non-earning spouse by recognizing, in economic terms, the contribution of the non-earning spouse.<sup>160</sup> Federal copyright law seeks to provide incentive for authors to create by providing an author with ownership and other exclusive rights. The *Worth* court's treatment of copyright ownership as community property frustrates the goals of copyright law without substantially furthering the goals of community property law.<sup>161</sup> An alternative to *Worth* must more equitably balance the competing interests of community property law and copyright law.

#### A. Asset Distribution upon Dissolution

The *Worth* court stated that "[a] copyright has a present value based on the ascertainable value of the underlying work."<sup>162</sup> Assigning a present value to a copyright would allow asset distribution upon dissolution. Under an asset distribution scheme, the author spouse would be entitled to the copyright, and the non-author spouse would be awarded other real or personal community property of equal value. An equalizing payment would be made if necessary.

In the *Worth* case if Frederick Worth and Susan Worth had agreed to asset distribution at the time of dissolution, Frederick Worth could have gained exclusive control over his copyrights and they would have become his separate property. Susan Worth would have been compensated with other community property assets and as a result of their agreement would have been entitled to one-half of all royalties from the books, in perpetuity.<sup>163</sup> Susan Worth would not have been entitled, however, to any proceeds from an infringement suit, since that money would have been a product of property which no longer belonged to the community.<sup>164</sup>

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159. Frederick and Susan Worth agreed to an equal division of royalties from the two trivia books. *In re Marriage of Worth*, 241 Cal. Rptr. 135, 135. (Ct. App. 1987).

160. Traditionally, California community property law sought to protect the non-earning spouse, who was seen as contributing to the community in other ways, such as taking care of children, cooking, cleaning, etc. Despite its traditional purpose, California community property law operates regardless of the employment status of either spouse.

161. Roberts, *supra* note 6, at 1062.

162. *Worth*, 241 Cal. Rptr. at 138.

163. *Id.* at 137.

164. CAL. FAM. CODE § 771 (Deering 1994).

Asset distribution opens up the possibility of allowing an author to regain control over his creative work, and the exploitation of that work, after dissolution. In reality, asset distribution would probably result in an author spouse maintaining rather than regaining control, because a non-author spouse is less likely to exercise the equal management and control rights allowed by community property law. It should not matter how property is characterized during marriage in a community property state; dissolution or death trigger the effects of characterization.<sup>165</sup>

Because the *Worth* case arose out of a dissolution, this proposed resolution considers only the termination of the community upon dissolution. During marriage, a non-author spouse, by virtue of community property principles, has co-ownership of a copyright acquired during marriage, may exercise equal management and control over that copyright, and may grant an exclusive or non-exclusive license of that work without the consent of the author spouse.<sup>166</sup> An asset distribution scheme can operate only upon dissolution to allow an author spouse to maintain ownership of copyright interests and to provide incentives for an author to create works and make them available to the public. Because a copyright has a present value, distributing assets upon dissolution protects the author spouse and benefits the non-earning spouse economically by dividing the community assets equally.

#### **B. Limitation on Length of Time a Non-Author Can Receive Royalties**

Even though Frederick Worth and Susan Worth agreed to equally divide all royalties from the two trivia books in perpetuity, the *Worth* court would probably have made the same division of royalties even without an explicit agreement, based on its characterization of the copyright as community property.

Despite this classification, an author will often rewrite or exploit the work in some manner after dissolution. Earnings from efforts made after dissolution of marriage do not belong to the community. Royalties derived from efforts made after marriage, therefore, are the separate property of the author spouse. Awarding the non-author spouse half of all royalties to be derived in perpetuity runs counter to the separate property character of earnings acquired after marriage. The efforts that an author will expend after dissolution to exploit a copyright are not efforts for which the nonexistent community should

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165. Patry, *supra* note 69, at 238.

166. CAL. FAM. CODE § 1100.

be compensated. Rather, a non-author spouse's royalties should be based on the specific exploitation which occurred during the marriage.<sup>167</sup>

### C. Author and Non-Author Spouse Can Contract Around the Law

An author wishing to protect a copyright interest should enter into a pre-nuptial or post-nuptial agreement specifying the disposition of any copyrights upon dissolution. An author and non-author spouse may agree on division of copyrights and royalties and on the proportion and duration of any division. Ultimately, the division of copyright ownership upon dissolution is most appropriately handled by the legislatures and courts, but until the issue is resolved, providing for asset distribution on dissolution with a limitation on the term of royalties for a non-author spouse seems to be a valid and workable alternative.<sup>168</sup>

## V

### Conclusion

Vesting ownership of a copyright in the non-author as well as the author spouse under California community property law deprives an author of the exclusive rights granted under the federal Copyright Act. Depriving an author of federally created rights provides a disincentive to create. Classifying a copyright as a community property asset therefore frustrates the goals of federal copyright law.

Community property law also affects the transfer standard for copyrights by leaving transfer requirements unclear. The resulting uncertainty affects a purchaser of intellectual property rights and an author seeking to exploit a copyrighted work. Additionally, community property law also affects the choices an author can make regarding the exploitation of his or her work when a non-author spouse is a co-owner with rights to license an author spouse's copyrighted work on an exclusive or non-exclusive basis.

Because California community property law arguably frustrates federal objectives, and conflicts with federal copyright law, state law should be preempted. The *Worth* court rejected preemption arguments, allowing state law to continue interfering with rights and interests granted to an author by federal law. California courts should re-

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167. Patry asserts that royalties received during separation would be separate property regardless of whether they were community property during marriage. Patry, *supra* note 69, at 244.

168. Perlstein, *supra* note 5, at 10. Perlstein offers other solutions for dealing with the equal division of copyrights. *Id.*



examine the *Worth* holding and strike a more equitable balance between the competing interests of copyright and California community property law.<sup>169</sup>

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169. Nimmer, *supra* note 4, at 412:

[T]he goal must be to preserve the rights of authors' spouses while not impinging on the authors' ability effectively to exploit their copyrights. Any scheme that lessens the possibility of such exploitation not only harms both the author and the non-author spouse, but also undermines Congress' purpose in enacting the copyright laws: to encourage authorship. This factor militates once again towards preemption.